CONSERVATION AND RESOURCE DEVELOPMENT DIVISION

PHOTOS BY BOB FISCHER

CONSERVATION AND RESOURCE DEVELOPMENT DIVISION

Provide technical and financial assistance to local governments, state agencies, and private citizens for the conservation, development, protection, and management of the state's natural resources.

The Conservation and Resource Development Division (CARDD) helps manage natural resources and finances conservation, resource management, and reclamation activities. The division has 22 employees who administer the work of the Conservation Districts Bureau, the Financial Development Bureau, and the Resource Development Bureau. During FY 2003, all final activities related to the Montana Agricultural Heritage Program were completed, and the program was closed.

Conservation Districts Bureau

Under state law, the Conservation Districts Bureau (CDB) is responsible for assisting Montana's conservation districts and state grazing districts. A conservation district (CD) is a legal subdivision of state government that (1) develops and carries out long-range programs that will conserve and improve soil and water resources within its boundaries, and (2) encourages maximum participation by the general public and all local public and private agencies to fulfill this purpose.

The 1999 Legislature created the Montana Grass Conservation Commission to assume the department's grazing district responsibilities effective July 1, 1999. The commission is administratively attached to DNRC. Grazing districts are cooperative, nonprofit groups that set up permitting systems to aid in the management of grazing lands where land ownership is intermingled in order to conserve, protect, restore, and properly utilize grass, forage, and range resources.

CDB works with the people of Montana on these eight areas of conservation and resource management.

- Conservation district supervision and assistance
- Watershed efforts and projects
- Rangeland management coordination
- Stream protection
- Natural resource conservation education activities
- Grant and loan programs
- Resource conservation and development (RC&D) areas
- Salinity control

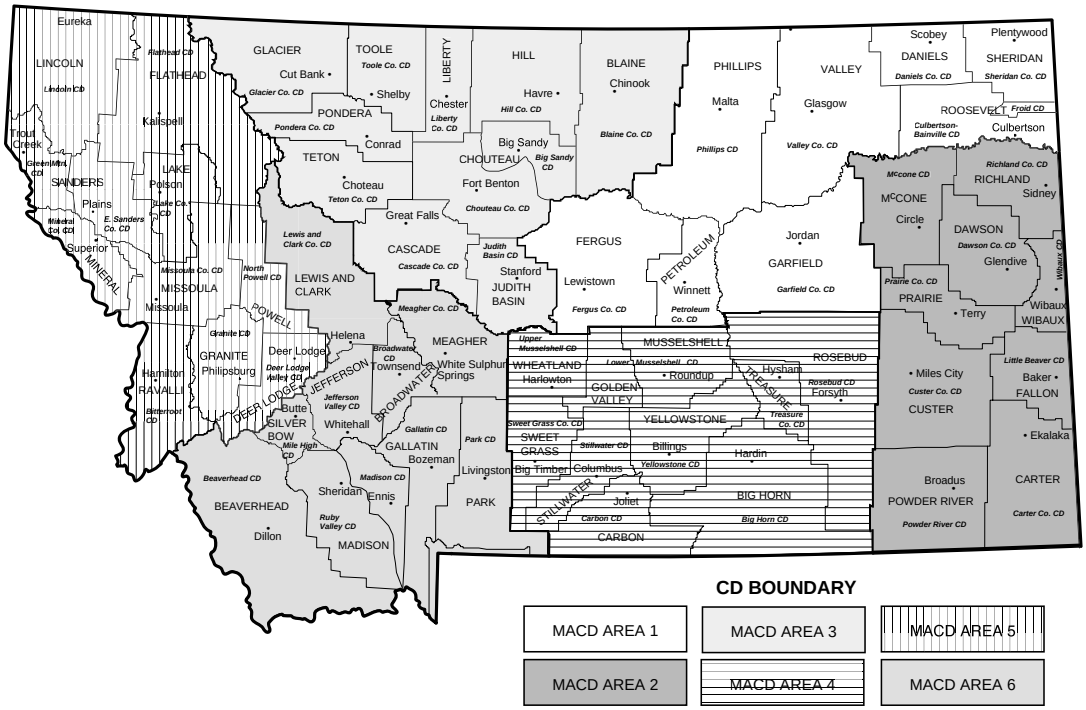
Conservation District Supervision and Assistance

The bureau provides administrative, legal, and financial assistance to Montana's 58 conservation districts (see Figure 3) to help them identify and address local natural resource concerns. In FY 2003, the bureau conducted five CD employee and supervisor workshops covering local government record keeping and compliance matters and personnel, budget, and 310 issues. Information regarding legislative changes to the open meeting law was distributed to CDs. In addition, the

materials listed below were developed, updated, or distributed for conservation district use.

- Compilation of laws pertaining to conservation districts that were changed by the 2003 Legislature
- CD employee and supervisor directory

Figure 3. Montana's Conservation Districts



Every year natural resource issues become more complex, and because of this CDs require more complex technical assistance. The 1997 Legislature authorized a legal and technical services program to provide districts with services needed to carry out their statutory responsibilities effectively. In FY 2002, a Request for Proposal (RFP) was issued for legal services for conservation districts. Two attorneys or law firms are now on retainer to provide legal services to districts on an as-needed basis. Two direct grants were also provided to CDs. Legal services were used for project review and procedural advice, contract review, 310 advice and representation, and assistance to four conservation districts that are developing a large, rural water project in eastern Montana.

The Resource Conservation Advisory Council (RCAC), which consists of seven members serving at the pleasure of the governor, meets four times a year, provides advice and assistance on conservation matters, and sets guidelines for CDB's grant programs. Current RCAC members are:

Bob Breipohl	Saco	Representing North Central Montana
Robert Anderson	Poplar	Representing the General Public
Robert Fossum	Richland	Representing Eastern Montana
Marieanne Hanser	Billings	Representing South Central Montana
Vicki McGuire	Eureka	Representing Western Montana
Dave Schwarz	Terry	Representing Conservation Districts
Tom Stelling	Fort Shaw	Representing Conservation Districts

The Conservation Districts Bureau also works with the Montana Association of Conservation Districts (MACD) and the National Association of Conservation Districts (NACD) to address natural resource concerns.

Watershed Efforts and Projects

Through the capacity-building program, conservation districts have identified the need for watershed planning as a high priority goal. Conservation districts, as the local entity responsible for addressing nonpoint source (NPS) water pollution, play a key role in developing local watershed plans. CDB provides technical and financial assistance to conservation districts in support of watershed efforts. In addition, CDB participates on the Watershed Coordinating Council, a group of state and federal agencies and private organizations that coordinates programs in Montana that address aspects of watershed management.

Watershed Planning and Assistance Grant Program

The 1997 Legislature authorized the Watershed Planning and Assistance Grant (WPAG) Program. The purpose is to assist conservation districts and affiliated local watershed groups with expenses associated with watershed planning. Funds can be used for the collection of baseline resource information, facilitators, development of a watershed management plan, training, educational efforts, and incidental costs associated with watershed planning.

A total of $144,750 was available for grants in FY 2003. Applications were received from 16 districts for 17 projects. Three of the projects were for resource assessment, and fourteen projects funded watershed groups, coordination, and/or coordinators. The resource areas included weeds, water quantity, and water quality. The size of these projects ranges from small watersheds to large basins. The projects funded are listed in Table 2.

Table 2
Watershed Planning and Assistance Grants Awarded in FY 2003

Conservation District	Project	Amount
Beaverhead	Beaverhead Watershed Group	$ 10,000
Bitterroot	Bitter Root Water Forum	7,425
Broadwater	Southern Belt Watershed Group	3,662
Deer Lodge Valley	Little Blackfoot River Assessment	10,000
Garfield County	Little Dry Creek Monitoring	1,600
Granite	Drought Management and Coordination	10,000
Green Mountain	Pilgrim Creek Watershed Project	10,000
Jefferson Valley	Jefferson Valley Watershed Group	9,996
Lower Musselshell	Lower Musselshell River Watershed Planning	8,650
Mile High	Brown's Gulch Partnership and Planning Project	10,000
Missoula	Lolo Creek Watershed Planning	10,000
North Powell	Blackfoot Challenge General Operations	4,934
Park	Southern Crazy Watershed Group	10,000
Pondera County	Marias River Coordinator I	10,000
Pondera County	Marias River Coordinator II	8,483
Sweet Grass County	Boulder River Watershed Association	10,000
Yellowstone	Canyon Creek Weed Activities	10,000
	TOTAL	$ 144,750

The Boulder River Watershed Association (BRWA), sponsored by Sweet Grass County Conservation District, provides an excellent example of a Watershed Planning and Assistance Grant in action. BRWA is a collection of private landowners, private industry, and government agencies working together to address resource issues such as water quantity and quality, forestry/fuel reduction, and weeds in the Boulder River drainage near Big Timber. The WPAG funds provide operational funds for the watershed group to coordinate on-the-ground implementation of projects in the watershed.

Stream Assessments

Six large stream assessments have been conducted by conservation districts throughout Montana in a collaborative effort with the U.S. Natural Resources Conservation Service (NRCS) and DNRC. The assessments include:

- Yellowstone River (13 CDs in the Yellowstone River Conservation District Council)
- Lower Wise River
- O'Fallon Creek
- Big Sandy Creek
- Milk River
- Whitmore Ravine

The purpose of doing these stream assessments is to provide baseline resource information to conservation districts, watershed groups, and local landowners to further their knowledge about the priority streams in their areas and provide a basis for doing voluntary restoration projects, where appropriate.

Rolling Rivers Trailers

The Rolling River is a five-by-ten-foot utility trailer with a six-inch-deep bed that is filled with "sand" (actually, recycled plastic granules). A meandering river or two is scooped out, running from one end to the other. Small figures of buildings, animals, and machinery are placed on top. When water is turned on at the top of the watershed, it flows through the river and can be used to demonstrate a variety of water-related lessons.

Three trailers are currently operating: (1) a demonstration trailer coordinated by CDB out of Helena, (2) a trailer in northwestern Montana sponsored by Lincoln CD, and (3) a trailer in eastern Montana coordinated by Richland County CD in Sidney. During the first season of trailer operation, 16 districts made 25 presentations to 4,700 people. CDB is providing technical support to MACD to implement this program.

In the upcoming year, an additional trailer will be purchased, and the number of presentations will be increased. Training workshops and promotional/educational materials will be developed to increase the effectiveness of the trailers.

Rangeland Management Coordination

The Rangeland Resource Program has four major areas of emphasis. They include:

- Working with county range committees, conservation districts, and producer groups to foster sound rangeland management
- Encouraging coordination and cooperation between private, state, and federal entities involved in range management
- Administering the Rangeland Improvement Loan Program
- Co-sponsoring the Governor's Range Tour, Winter Grazing Seminar, and Montana Youth Range Camp

The program receives guidance from the Rangeland Resource Executive Committee, which is composed of six ranchers geographically located across the state and appointed by the governor. Current members include:

Les Gilman, Chair Alder	John Hollenback, Vice-Chair Gold Creek	Bob Anderson Culbertson
Quinn Haughian Terry	Steve Hedstrom Raynesford	Michael Lane Three Forks

In addition, an ad hoc committee of agency and organization personnel serves in an advisory capacity to the executive committee.

CD staff work to strengthen local grazing management programs by helping sponsor workshops, tours, and demonstration projects. Examples of these activities include the Governor's Range Tour, the Montana Youth Range Camp, and the Winter Grazing Seminar.

A loan program was started in 1979 for the purpose of improving rangelands in Montana. To date, 328 applications have been received for loans totaling $4,401,664. Currently, 55 loans totaling $863,025 are in repayment status. A typical rangeland loan project involves drilling a well and installing underground water lines to supply stock tanks. These stock tanks are usually located in areas where water is insufficient or unsuitable for livestock. The projects are sometimes combined with cross fencing and an overall grazing plan to improve the rangeland. Over 952,000 acres of Montana rangeland have been improved using funds from this program.

Grazing District Supervision and Assistance

State law provides for the creation of cooperative, nonprofit grazing districts and sets up a permitting system that aids in the management of grazing lands where ownership is intermingled. In its administration of the Montana Grass Conservation Act (grazing district law), the Montana Grass Conservation Commission advises, supervises, and coordinates the formation and operation of these grazing districts. Uniform plans that conform with recognized conservation practices are developed for the use of lands within the boundaries of the districts. The 27 state grazing districts represent 1,353 permittees and cover 10,501,070 acres of land.

The commission is composed of these five board members, who are affiliated with local grazing districts.

Bill Loehding, Chair	Ekalaka
Gary Unruh, Vice-Chair	Chinook
Larry Brence	Baker
Phil Hill	Mosby
Dewayne Ozark	Glasgow

Stream Protection

CDB provides administrative assistance, training, and legal opinions to conservation districts to help them administer the Natural Streambed and Land Preservation Act, commonly referred to as the "310 law." Under this law, any private entity proposing a project that will alter or modify the bed or banks of a stream must obtain a permit.

Efforts undertaken in FY 2003 to improve the permitting process included distributing a project review guide for conservation district supervisors and others involved in permitting. The project review guide describes about 70 projects and contains guidance for when and where the projects are appropriate, design drawings, and construction techniques.

CDs processed 1,517 Natural Streambed and Land Preservation (310) Permit Applications in FY 2003, and CDB distributed $97,000 to 49 CDs to help offset the cost of processing those permits. CDB has contracts with eight consulting firms to provide technical review of complex 310 applications. In FY 2003, 13 reviews were conducted.

The 2003 Legislature passed four bills that pertain to 310 activities. One bill provides a formal process for CDs to assess civil penalties and specifies that 310 disputes must first go to justice court. Another clarifies that the definition of a "project" includes the stream, its bed, and its banks – a fact often overlooked in 310 violations. The third bill outlines a declaratory ruling process, which the Montana State Supreme Court said CDs must use when determining jurisdiction.

The fourth bill, SB 381, makes the arbitration process voluntary (not mandatory, as it was before). DNRC, in consultation with MACD and conservation districts, is in the process of revising the arbitration agreement and 310 forms to comply with this new law. Very early drafts are available for review and comment.

Yellowstone River Conservation District Council

CDB has been working with 13 CDs that have joined together to address natural resource concerns along the Yellowstone River. To date, the council has made an assessment of the entire river, is working with the Montana Natural Resource Information System (NRIS) to make geographical information accessible on NRIS's website, and is conducting a geomorphic and fisheries analysis.

The work accomplished will aid CDs in a cooperative study with the U.S. Army Corps of Engineers (COE). The CDs have been collecting contributions in the form of cash and donated labor to provide the state's in-kind match in a $2- to $4-million study of the cumulative impacts on the river. The CDs' interest is to ensure

that (1) people who live and work along the Yellowstone have a say in the federal study, and (2) what comes out of the study is useful to CDs and other agencies. Contract negotiations between the Yellowstone River CD Council and COE have caused a delay in the original time line.

The council, in partnership with NRCS, also submitted the nation's first proposal under the new Partnership and Cooperation Program, under the new farm bill, to address resource concerns along the Yellowstone River. This proposal has not yet been approved.

Natural Resource Conservation Education Activities

This program provides grant funding and policy guidance for resource conservation education programs. The bureau assists conservation districts in sponsoring adult education, elementary and secondary school activities, and several annual events: the Envirothon, Montana Youth Range Camp, and Natural Resources Youth Camp. The program goals are to promote discussion of resource issues and provide the knowledge and skills necessary to make decisions regarding the management, protection, and wise use of our natural resources.

CDB administered a grant authorized by the 2001 Legislature to conduct the 2003 Envirothon. The 2003 Montana Youth Range Camp was cancelled due to budget cuts.

Conservation Education Mini-Grant Program

Mini-grants of $500 each are available to educators statewide, enabling teachers to develop environmental education projects around local resource issues. The grant program encourages classroom discussion of resource conservation and environmental issues in secondary and elementary schools, by providing financial support for teacher-initiated classroom projects. In FY 2003, 21 mini-grants were funded for a total of $9,560 and are listed in Table 3.

Small Acreage Stewardship Education

CDB is working cooperatively with conservation districts and other local groups to implement a small acreage stewardship curriculum. The major benefits of this program are:

- Providing landowners with the tools to manage their property to meet their goals and address resource concerns
- Giving local resource agencies an opportunity to contact and develop working relationships with small acreage owners

CDB has provided technical assistance and curriculum development to implement realtor and landowner workshops.

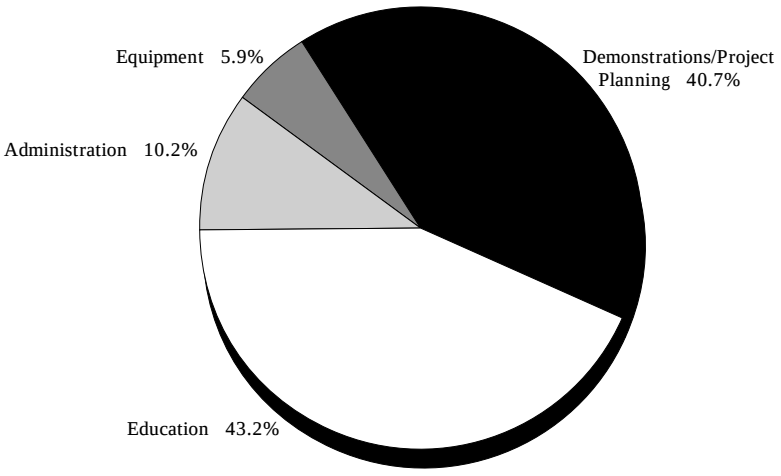
Table 3
Conservation Education Mini-Grants Awarded in FY 2003

Conservation District	Project	Amount
Bitterroot	Teller Wildlife Refuge Project	$ 500
Carbon	Weed Tour	500
Cascade County	Plant Identification Ecosystem Equipment Purchase	500
Daniels County	Natural Resource Day 2003	450
Dawson County	Weed Seminar	500
Fergus	Global Positioning System Mapping of Brewery Flats	500
Fergus	Weather Station Purchase	400
Flathead	Forestry Expo	500
Gallatin	Outdoor Science Project	499
Jefferson Valley	Weed Education Program	469
Liberty County	Community Garden	240
Mile High	Pine Bark Beetle Field Study	280
Mineral County	Conservation Day	330
Pondera County	"Boone and Crockett" Outdoor Field Day	486
Pondera County	Outdoor Classroom	460
Pondera County	Watershed Education Program	500
Ruby Valley	Globe and Water Quality Exercise	500
Teton	"Creeks and Critters" Outdoor Field Day	500
Toole County	Globe Atmosphere Project	466
Wibaux	Agricultural Education Program	480
Yellowstone	"Teaching Relationships; Encouraging Knowledge" Camp	500
	TOTAL	$ 9,560

Grant Programs

The bureau administers four grant programs. The Conservation Education Mini-Grants and the Watershed Planning and Assistance Grants were discussed earlier in this chapter.

Figure 4
Allocation of Grant Funds for Conservation District Projects in Fiscal Year 2003



Conservation District Project Grants

The Conservation District Project Grant Program was established in 1981 to provide funding for CDs' lawful duties and responsibilities. The program funds a variety of CD activities such as stream bank protection, erosion control, new conservation technology demonstrations, soil and water conservation projects, youth and adult educational activities, and conservation equipment rental programs. In FY 2003, $335,604 was granted to CDs for various projects. All projects funded in FY 2003 are listed in Table 4, and the allocation of funds is shown in Figure 4.

Table 4
Conservation District Project Grants Awarded in FY 2003

Conservation District	Project	Amount
Beaverhead	Snowline Riparian Monitoring	$ 10,000
Broadwater	Weed Education	10,000
Carter County	Equipment for Thompson Creek Project	8,000
Cascade County	2003 Winter Grazing Seminar	6,425
Cascade County	Orthophoto Quads	13,000
Cascade County	Sun River Restoration	5,086
CDB	Education Mini-Grants	9,560
Deer Lodge Valley	2002 Governor's Range Tour	8,350
Deer Lodge Valley	Clark Fork Conservation Reserve Enhancement Program	8,986
Fergus	Conservation Cleanup	5,600
Flathead	Clark Fork Task Force	15,000
Gallatin	2004 Noxious Weed Calendar	7,875
Gallatin	Dairy Waste Anaerobic Digestion	5,589
Green Mountain	Adult and Youth Education	3,455
Jefferson Valley	Jefferson River Watershed	4,000
Jefferson Valley	Teacher Weed Training	2,236
Judith Basin	South Fork Monitoring and Restoration	7,500
Lewis and Clark	Ten Mile Creek Bank Stabilization	2,100
Liberty County	Conservation District Education	881
Liberty County	Conservation District Employee Training	2,996
Liberty County	Global Positioning Satellite Equipment Purchase	6,343
Lincoln	Carbon Offset Agroforestry	15,000
Lincoln	Eureka Fiberfest	7,000
Lincoln	Firewise Landscaping Demonstration	7,000
Meagher County	Smith River Irrigation Recharge	5,000
Meagher County	Smith River Recharge and Hydrology	10,000
Park	Anglers Against Weeds Program	10,000
Park	Irrigation Efficiency	5,142
Park	Ranch Profitability	4,129
Park	Watershed Range Monitoring	10,000
Park	Watershed Symposium	10,000
Phillips	2003 Range Days	3,000
Phillips	Global Information System Equipment Purchase	9,967
Pondera County	Fabric Layer Purchase	3,000
Pondera County	Weather Station Purchase	500
Richland County	Carbon Sequestration Workshop	10,000
Roosevelt County	Big Muddy River Check Structures	10,000
Roosevelt County	Dry Prairie Rural Water Association	8,900
Roosevelt County	Fort Peck Irrigation Assessment	7,900
Roosevelt County	Irrigation Water Management Demonstration	4,200
Roosevelt County	Technical Assistance for Pumps	6,878
Ruby Valley	Spawning Channel Restoration	2,700
Sheridan County	Water Quality Monitoring Equipment	8,298
Sweet Grass County	Weed Project	472
Various CDs	Administrative Grants	11,426
Various CDs	Education Project Travel Reimbursements	7,110
Yellowstone	Canyon Creek Restoration	15,000
	TOTAL	$ 335,604

Administrative Grants

In FY 2003, the bureau distributed $228,000 from the General Fund and the Coal Tax Fund as grants to 39 CDs whose county mill levies are inadequate to support district operations. These grant funds are for administrative purposes only and are used for administrative salaries and general operating expenses.

Information on the Coal Severance Tax and the Resource Indemnity Tax (RIT) is presented in Appendix A.

Resource Conservation and Development Areas

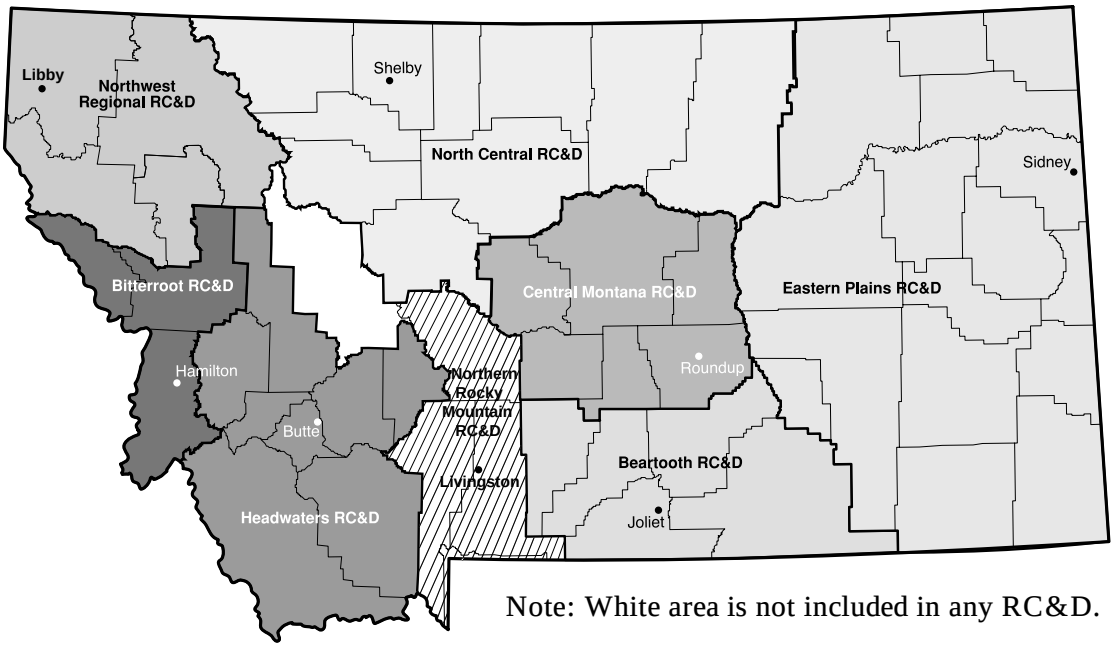
In a cooperative effort with NRCS, the bureau has taken a lead role in assisting in activities of the NRCS partnership coordinator and the Central Montana RC&D Area. The partnership coordinator is currently helping develop key issues and providing direct assistance to the RC&Ds in Montana (see Figure 5).

The Central Montana RC&D was involved in the following activities.

- Sponsored seven First Time HomeBuyer classes and one HomeBuyer Jamboree
- Served as ad hoc advisor to and board member of the Montana Home Ownership Network, a partnership of Montana nonprofit and private corporations, government agencies, and residents, whose goal is to increase home ownership among low-income families
- Completed a Housing Planning Grant Application for Musselshell County
- Attended Lower Musselshell Work Group meetings, the goal of which is to match resource needs to farm bill funding
- Provided public information coordination to the proposed Coal-Fired Power Plant Project
- Sponsored a Forestry Education Day Project for elementary students in Fergus County
- Assisted Snowy Mountain Development Corporation with final updates of the Comprehensive Economic Development Strategy for the RC&D Area
- Completed a Federal Emergency Management Agency Grant Application for the Beavercreek/Cottonwood Rural Fire District
- Served as a board member of the National Carbon Offset Coalition
- Served as an advisor to the Central Montana Education Outreach Center Project
- Served as an advisor and provided coordination to the $1.1 million Video Network Coordination Project of the Eastern Montana Education Telecommunications Consortium (composed of 17 schools)
- Completed three county and one municipal grant applications to the Montana Coal Board totaling over $700,000
- Provided coordination for the Musselshell Valley Regional Municipal Water Project's $300,000 test well

The bureau also administers a $50,000 appropriation for the Community Project Startup Grant Program, which is delivered through the Eastern Plains RC&D. The RC&D approved six grants totaling $20,000 in FY 2003.

Figure 5
Resource Conservation and Development Areas in Montana



Note: White area is not included in any RC&D.

Salinity Control

The Montana Salinity Control Association (MSCA) is a satellite program for conservation districts established to reclaim and prevent saline seeps and other agriculturally-caused water quality problems, on an individual farm and/or watershed basis. MSCA originated in 1979 in 9 counties and now serves 34. MSCA is partially funded from mineral taxes administered by CARDD. Through the Conservation Districts Bureau, MSCA received $207,500 in FY 2003. Additional funding is generated through landowner and user fees for projects. Outside funding has been derived since 1983.

Conservative estimates indicate that over 300,000 acres in Montana are affected by salinity problems. MSCA has developed individual reclamation plans for 928 sites with 118,896 planned acres to address 15,440 salinized acres that were no longer productive. Nine salinity-based watershed projects ranging in size from 4,000 acres to over 625,000 acres are in progress or have been completed. Significant planning has been done and will continue in these watershed projects. With the preliminary work completed on all nine watersheds, additional projects can be incorporated to complement the overall benefits. Each watershed project has a local advisory group that contributes funds and provides coordination between landowners and technical agencies. CDB is involved in the organization of the individual and watershed projects through local conservation districts.

MSCA coordinates with state and federal agencies to utilize and adapt their technical assistance and funding programs to address nonpoint source pollution and other resource concerns. New federal programs will be accessed that can assist individual producers in implementing the technical assistance MSCA provides to achieve saline reclamation. In addition, MSCA has a strong relationship with Canadian provincial salinity specialists to share information through the Prairie Salinity Network. Similar cooperation has been established over the years through Australian research and landowner groups.

Financial Development Bureau

The Financial Development Bureau is responsible for preparing and managing the cash flow of the division's programs. The bureau also issues loans to borrowers and manages the financial administration of Montana's Water Pollution Control State Revolving Fund (WPCSRF) and Drinking Water State Revolving Fund (DWSRF) Loan Programs. The functions of the bureau include:

- Issuing general obligation bonds
- Issuing coal tax bonds
- Monitoring the operating budget of the division
- Preparing cash flows
  - o Water Pollution Control Program
  - o Drinking Water Program
  - o Reclamation and Development Grants Program
  - o Renewable Resource Grant and Loan Program
- Monitoring financial statements of public borrowers
- Monitoring arbitrage calculations for all DNRC bonds
- Administering loans made to public entities

With the passage of the WPCSRF and DWSRF legislation, the volume of work dictated the formation of the Financial Development Bureau. The loan portfolios alone have grown to over $242 million (see Table 5).

Table 5
Loan Portfolios

Type of Loan	Amount
Coal Tax Loans	$ 41,789,000
Water Pollution Control Loans	144,198,000
Drinking Water Loans	56,334,000
TOTAL	$242,321,000

The disbursements to grantees can be as much as $5 million per year. Approximately 750 to 1,000 contracts are outstanding at any one time. The financial expenditures on each contract are tracked separately. Cash flows are produced on a monthly basis. For the revolving fund programs, investments must be made for repayment funds in the program.

Bond sales are planned to meet the construction schedules of the borrowers. On the average, $5 million to $10 million in bonds are issued each year. In FY 2003, over $14.6 million in bonds were issued. Loan disbursements were over $25 million in FY 2003.

State Water Pollution Control Revolving Fund Loans

The Water Pollution Control SRF was created by the 1989 Legislature. It is designed to combine federal grant money with state matching money to create a low-interest loan program that funds community wastewater treatment projects. DNRC and the Montana Department of Environmental Quality (DEQ) co-administer the SRF program. The U.S. Environmental Protection Agency (EPA) makes a grant of federal funds to the state. The state must match 20 percent of that grant. The state's share is derived from the sale of state general obligation bonds. Loans are made by DNRC to public entities at an interest rate of 4 percent for up to 20 years.

Since the program started, the State of Montana has issued $19.2 million in general obligation bonds, and EPA has contributed $107 million in grants. These state bonds and federal grants, together with $18 million in "recycled" (repaid) loan funds, account for the $144.2 million program level. Seventeen loans totaling $26.3 million were closed in the 2003 construction season. See Table 6 for a listing of current loans. Program staff expect to make loans of $25 million in FY 2004.

The City of Missoula borrowed $5 million to rehabilitate its wastewater treatment facility. These funds matched an EPA grant of $5 million. The 20-year loan has an interest rate of 4 percent. Many communities are facing this same problem; their treatment plants are 30 years old and need rehabilitation.

Also in FY 2003, the Town of Nashua borrowed $239,000 to make wastewater system improvements. This community demonstrated a hardship and received a 3 percent interest rate. The loan term is 20 years.

The 1997 Legislature authorized this program to start financing landfills for small communities effective July 1, 1997. The first landfill loan was made to the Northern Montana Refuse District in FY 2003; more landfill loans are expected to close in FY 2004.

Drinking Water State Revolving Fund Loans

This program provides funds for training, technical assistance, and the issuance of low interest loans to local governmental entities to finance drinking water facilities and implement the Safe Drinking Water Act. State enabling legislation was passed in 1995 and amended in 1997, after the U.S. Congress passed federal enabling legislation in August 1996. DNRC and DEQ co-administer the Drinking Water Program. The two agencies first applied for federal funds in January 1998.

The state has issued $10.3 million in general obligation bonds, EPA has obligated $37 million, and $9 million in "recycled" (repaid) loan funds have been used to fund loans for a program level of $56.3 million. Six loans totaling $6.3 million were closed in the 2003 construction season, and two existing loans were increased by the borrowing communities. See Table 7 for a listing of current loans. Program staff expect to make loans of $10 million in FY 2004.

Of the six loans closed, one was to the City of Hamilton. The project loan was for $220,000 at 4 percent interest. These funds will be used for preliminary engineering so that the construction project will be ready for the next construction season. The construction loan to Hamilton will be closed in FY 2004.

LaCasa Grande Water and Sewer District borrowed $238,000 at 3 percent interest for 20 years. This project consisted of installing water meters throughout the district. Water meters are a good tool to help people conserve water and be thoughtful about their water consumption.

These projects continue to improve the communities that participate in the loan programs. The loan interest rate also helps to make the projects affordable. No loans are made over the 4 percent interest rate.

Table 6
Wastewater Revolving Fund Loans

Loans Completed	Amount
Augusta	$ 506,000
Belgrade	1,058,000
Belgrade	1,940,000
Big Sky	5,513,000
Big Sky	7,000,000
Big Sky	417,000
Big Timber	385,000
Bigfork	1,000,000
Billings Special Improvement District	516,000
Butte-Silver Bow	5,307,000
Cascade	202,000
Cascade	1,218,000
Choteau	500,000
Choteau	530,000
Choteau Refinance	109,000
Colstrip	300,000
Colstrip	503,000
Columbia Falls	2,509,000
Columbus	1,540,000
Conrad	711,000
Conrad Refinance	233,000
Corvallis	235,000
Corvallis	351,000
Cut Bank	531,000
Cut Bank	800,000
Darby	111,000
Denton	55,000
Denton	139,000
Dillon	1,993,000
Drummond	53,000
East Helena	91,000
East Helena	1,983,000
East Helena	1,494,000
Flathead County	
Bigfork	424,000
Evergreen	3,600,000
Evergreen	700,000
Forsyth	1,303,000
Fort Benton	1,177,000
Gallatin County Hebgen	4,136,000
Geraldine	113,000
Glasgow	402,000
Glasgow	1,048,000
Glasgow	778,000
Glasgow	252,000
Glendive	236,000
Glendive	376,000
Great Falls	12,100,000
Harlowton	777,000
Harrison Water and Sewer District	319,000
Havre	2,161,000
Helena	9,320,000
Helena School District (formerly Kessler School)	185,000
Hot Springs	158,000
Kalispell	3,913,000
Kevin	47,000
Lavina	121,000
Lincoln/Lewis and Clark Sewer District	309,000
Manhattan	$ 636,000
Manhattan	220,000
Missoula	
39th Street	1,395,000
California Street	502,000
Mullan Road	1,820,000
NW Broadway	943,000
Pineview SID	658,000
Rattlesnake	304,000
Reserve Street	2,221,000
Reserve Street Interceptor	459,000
Reserve Street Pineview	718,000
Reserve Street Special Improvement District	2,671,000
Special Improvement District # 520	2,634,000
Storm and Sewer	4,577,000
Wapikiya/Bellevue Add-On	324,000
Wapikiya/Bellevue Clarifier	2,465,000
Wapikiya/Bellevue Clarifier	1,177,000
Wastewater Treatment Plant	5,000,000
Missoula County	
Linda Vista	241,000
Linda Vista	1,943,000
Lolo	654,000
Nashua	239,000
Northern Montana Refuse District	1,035,000
Park City County Water and Sewer District	967,000
Park County	378,000
Park County	83,000
Red Lodge	390,000
Red Lodge	3,877,000
Resource Development Bureau	
Nonpoint Source 1	1,500,000
Nonpoint Source 2	1,750,000
Nonpoint Source 3	2,000,000
Nonpoint Source 4	2,225,000
Nonpoint Source 5	2,100,000
Nonpoint Source 6	2,500,000
River Rock Water and Sewer District	3,100,000
Ronan	620,000
Saint Marie (Glasgow)	150,000
Shelby	481,000
Shelby Refinance	453,000
Superior	82,000
Sweet Grass	150,000
Sweet Grass	80,000
Townsend	1,071,000
Troy	1,817,000
Valier	200,000
Valier	19,000
Vaughn – Cascade Water and Sewer District	248,000
Victor	200,000
Whitefish	120,000
Whitewater Water and Sewer District	300,000
Wolf Point	453,000
Worden – Ballantine Water and Sewer District	260,000
TOTAL	$144,198,000

Table 7
Drinking Water Revolving Fund Loans

Loans Completed	Amount	Loans Completed	Amount
Big Sky	$ 534,000	Great Falls	$ 3,000,000
Big Sky	1,966,000	Hamilton	220,000
Billings	818,000	Havre	600,000
Boulder	1,294,000	Havre	8,401,000
Broadview	203,000	Helena	1,250,000
Brockton	45,000	Highwood Water and Sewer District	75,000
Cascade	130,000	Kalispell	761,000
Choteau	332,000	LaCasa Grande Water and Sewer District	238,000
Colstrip	563,000	Lakeside	400,000
Colstrip	829,000	Laurel	5,250,000
Columbia Falls	907,000	Laurel	2,541,000
Conrad	650,000	Lockwood Water and Sewer District	1,700,000
Conrad	1,556,000	Missoula County Fairgrounds	206,000
Cut Bank	283,000	Missoula County Sunset West	291,000
Cut Bank	576,000	Philipsburg	241,000
East Helena	228,000	Plentywood	577,000
East Helena	3,234,000	River Rock Water and Sewer District	2,100,000
Elk Meadows	200,000	Seeley Lake	1,340,000
Ennis	60,000	Shelby	866,000
Eureka	619,000	Shelby	677,000
Fort Peck Water and Sewer District	1,520,000	Twin Bridges	287,000
Gardiner-Park County	170,000	Virginia City	66,000
Gardiner-Park County	330,000	Whitefish	400,000
Gardiner-Park County	267,000	Whitefish	5,839,000
Geraldine	129,000		
Glendive	1,565,000	TOTAL	$ 56,334,000

Resource Development Bureau

The Resource Development Bureau (RDB) administers several grant and loan programs and provides assistance to conservation districts for the administration of water reservations and to assist landowners to develop new irrigation. The programs include:

- Reclamation and Development Grants Program
- Renewable Resource Grant and Loan Program
  - o Public Grants
  - o Project Planning Grants
  - o Emergency Grants
  - o Private Grants
  - o Private Loans
  - o Public Loans
- Treasure State Endowment Loan Program
- Conservation District Water Reservations
- Irrigation Development Program
- Regional Water Coordination

FY 2003 was a successful year for these programs. Over $7 million in grant and loan funds was disbursed for projects throughout the state, and 525 contracts were being actively administered.

Reclamation and Development Grants Program

The Reclamation and Development Grants Program (RDGP) is a grant program designed to fund projects that "indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana" (MCA 90-2-1102). The program was established in 1987. Any department, agency, board, commission, or other division of state government or any city, town, county, or other political subdivision or tribal government within the state may apply for a RDGP grant. Grants of up to $300,000 are available per application. The funding source for this program is interest income from the RIT Trust fund and mineral taxes.

During the 2003 legislative session, one of the 18 projects authorized by the 2001 Legislature (Powell County's Ontario Wet Tailings Reclamation Project) was terminated. The remaining 17 projects are under contract and in various stages of project implementation. Figure 6 shows how the 2001 funds were allocated to the original 18 projects.

In May of 2002, RDGP received 26 grant application requesting $7.3 million. RDGP staff evaluated those applications in FY 2003 and made recommendations to the legislature. After reducing the statutory allocation to the program from $3 million to $2.4 million for the biennium, the 2003 Legislature funded the 10 projects listed in Table 8. The minimum of $2.4 million in grant funds that will be available during FY 2004 is less than a third of the total amount requested. Execution of agreements for these projects began July 1, 2003.

Four of these awards totaling $840,000 focus on mitigating the impacts of oil and gas development. Two grants to DEQ will aid cleanup of the Washington and Drumlummon hardrock mines. The remaining four allocations are targeted at public water supply and protection (Sunburst), hazardous waste removal (Powell County), mitigating effects caused by greenhouse gases (Governor's Office), and groundwater monitoring (Big Horn CD). The allocation of these funds is illustrated in Figure 6.

Figure 6
Allocation of Funds for
Approved Reclamation and Development Grant Projects

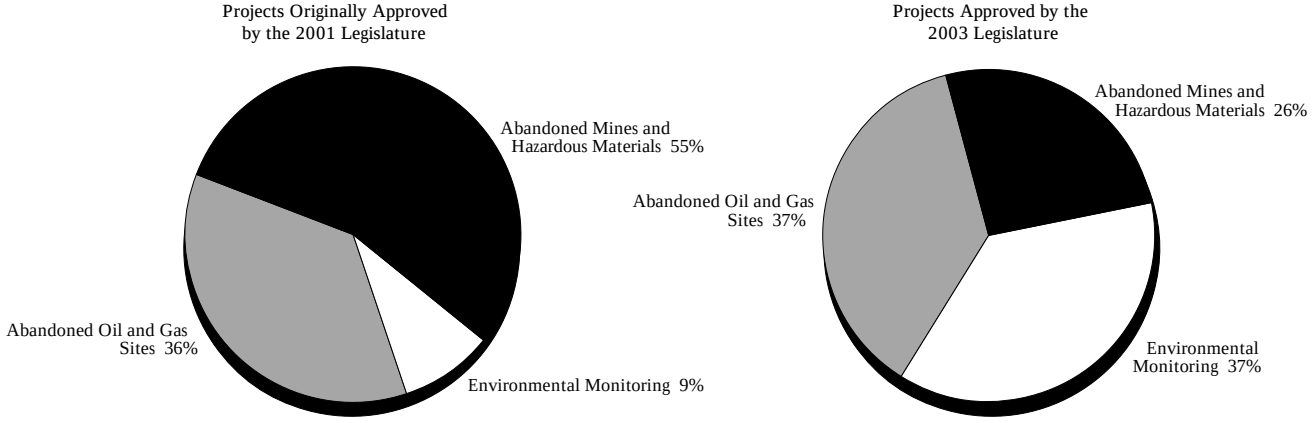


Table 8
Reclamation and Development Grants Approved by the 2003 Legislature
(in Order of Their Ranking)

Project Sponsor	Project Name	Approved Funding
Big Horn Conservation District	Groundwater Monitoring - Tongue and Powder River Watersheds	$ 300,000
Sunburst, Town of	Sunburst Water Supply Renovation	185,249
Montana Governor's Office	Growing Carbon	300,000
Montana Board of Oil and Gas Conservation	Oil and Gas Plug and Abandonment	200,000
Toole County	2003 Plug and Abandonment	240,000
Montana Board of Oil and Gas Conservation	2003 Northern District Plug and Abandonment	300,000
Montana Board of Oil and Gas Conservation	2003 Southern District Plug and Abandonment	100,000
Montana Department of Environmental Quality	Washington Mine and Millsite Reclamation	300,000
Powell County	CMC Roundhouse Site Cleanup	76,400
Montana Department of Environmental Quality	Drumlummon Tailings, Goldsil Mine Waste Reclamation	300,000
	SUBTOTAL	$ 2,301,649
Funding of projects below this point will depend on the availability of revenue.		
Sheridan County Conservation District	Reclaiming Oilfield Brine Contaminated Soils	150,000
Montana Department of Natural Resources and Conservation	Planning Grants	50,000
Fergus Conservation District	Central Montana Aquifer Project	150,000
Judith Basin Conservation District	Judith Basin Aquifer Restoration and Conservation	70,000
	TOTAL	$ 2,721,649

Renewable Resource Grant and Loan Program

The Montana Legislature established what is now called the Renewable Resource Grant and Loan Program (RRGLP) in 1993 by combining the Water Development Program and the Renewable Resource Development Program. RRGLP was established to promote the development of renewable natural resources. Funding from the RIT interest and the mineral tax is available to research, plan, design, construct, or rehabilitate projects that conserve, develop, manage, and/or preserve Montana's renewable resources. RRGLP funds a variety of natural resource projects including groundwater studies, irrigation rehabilitation, water and soil conservation, municipal drinking water improvements, public wastewater, and forest enhancement.

Over $4 million was available over the biennium for grants to public entities for renewable resource projects. An additional $300,000 was available for grants to assist public entities in the planning and design of projects eligible for funding under RRGLP, and $100,000 was available for private grants. The loan program is funded through the issuance of general obligation and coal severance tax bonds. These private loans are primarily for irrigation projects.

Public Grants

Up to $100,000 is available per grant application. The total cost of a project usually includes funds from other sources, in addition to RRGLP grants and loans.

In FY 2003, the bureau administered 73 renewable resource grants, and $2,024,199 was disbursed. Figure 7 illustrates how funds were allocated to projects approved by the 2001 Legislature.

Figure 7
Allocation of Funds for
Approved Renewable Resource Development Public Grant Projects

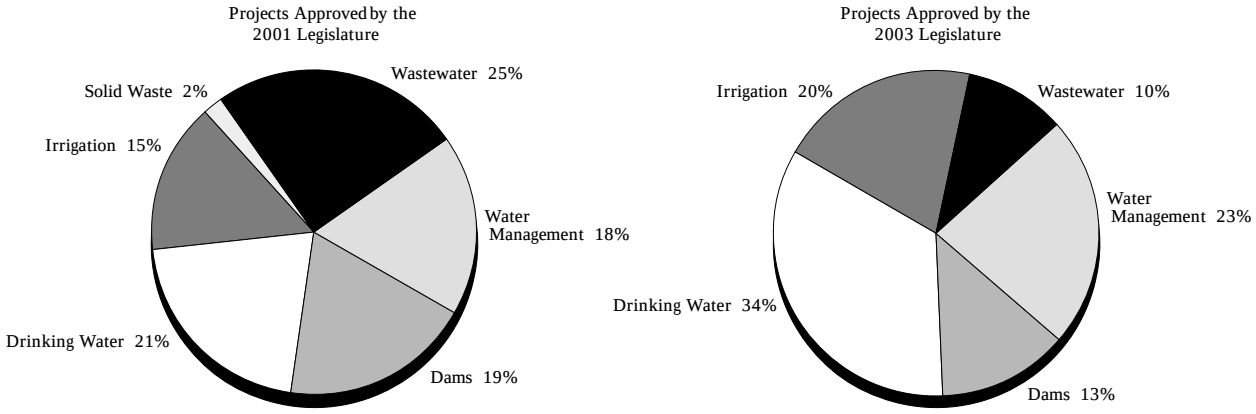


Table 9 lists RRGLP projects in the order in which they were approved and ranked by the 58th Montana Legislature in 2003, and the allocation of funds is shown in Figure 7. These grants will start receiving funds in FY 2004.

An example of a renewable resource grant project is the rehabilitation of the St. Mary siphons. This project was sponsored by the Milk River Joint Board of Control and funded by the 2001 Legislature with a $100,000 grant that was matched by $80,000 in operation and maintenance funds from the water users. The project was the second phase of a three-phase project. The siphon is an integral part of the Milk River Project. The siphon was constructed to divert 150,000 acre-feet of water per year from the St. Mary River in the Hudson Bay drainage and transfer it 38 miles to the North Fork of the Milk River in the Missouri River drainage. Last year, this diversion provided 95 percent of the Milk River's water.

The siphon consists of two riveted steel, 90-inch-diameter barrels that transverse down a valley slope from a concrete inlet, cross the St. Mary River, and then ascend the valley slope to a concrete outlet transition. One siphon barrel was constructed above ground, and the other was buried. The total length is approximately 3,205 feet, or a little over half a mile. The grant funds were used to pressure seal the right barrel in the transitional area, including the construction of a new, reinforced seal collar; provide uniform bearing support with soil cement under the right barrel; and replace the 90-inch pipe in the left barrel in places where it had buckled. The project included cutting and removing old pipe, excavating and replacing material, installing and welding new pipe, providing support with soil cement, and realigning the existing pipe saddles.

The rehabilitated project will preserve the existing water supply for the Milk basin, which has 37,000 residents and covers over a fifth of the state of Montana. It serves 99,000 project acres with 666 farms and provides a stable water supply for Milk River Joint Board of Control water users; Bowdoin National Wildlife Refuge; Nelson and Fresno Reservoirs; the cities of Chinook, Havre, and Harlem; and Hill County Water District.

Project Planning Grants

Project planning grants provide up to $10,000 on a 50 percent cost share to governmental entities for the completion of preliminary engineering, design, and

Table 9
Renewable Resource Grant and Loan Program Projects Approved by the 2003 Legislature
(in Order of Their Ranking)

Project Sponsor	Project Name	Grant Funding	Loan Funding
Scobey, City of	Wastewater System Improvements	$100,000	-
Dawson County	Yellowstone River Floodplain Management	75,000	-
Flathead Basin Commission	Ashley Creek Headwater Restoration	99,700	-
Missoula, City of	Rattlesnake Neighborhood Sewer Collection System	100,000	-
North Powell Conservation District	Blackfoot River Habitat, Water Quality and Restoration	62,600	-
Montana Department of Agriculture	Monitoring Well Network for the Assessment of Ag Chemicals	100,000	-
Paradise Valley Irrigation District	Hillside Lateral	100,000	-
Ramsay County Water and Sewer District	Water System Improvements	100,000	-
Missoula County	Mullen Road Corridor Sewer Project - Phase I	100,000	-
Park County	North Park County Water Resources Protection Plan	75,000	-
Sheaver's Creek Water and Sewer District	Water System Improvements	100,000	-
Stanford, Town of	Water System Improvements	100,000	-
Hamilton, City of	Water Distribution Improvements	100,000	-
Park County-Cooke City Water District	Water System Improvements	100,000	-
Milk River Joint Board of Control	St. Mary Siphon Expansion Joint Replacement	100,000	-
Buffalo Rapids Irrigation District	Refit of Glendive Pumping Plant	100,000	1,315,000
Mill Creek Irrigation District	Mill Lake Dam Rehabilitation	100,000	572,000
Montana Department of Natural Resources and Conservation	Seepage Monitoring Project - DNRC Dams	97,646	-
Sidney Water Users Irrigation District	Increasing Irrigation Efficiency	100,000	-
Stillwater County	Yellowstone River Floodplain Management	75,000	-
Yellowstone County	Yellowstone River Floodplain Management	75,000	-
Worden Ballantine Yellowstone County Water and Sewer District	Water Distribution System Improvements	100,000	-
Ryegate, Town of	Water System Improvements	100,000	-
Malta Irrigation District	Replacement and Modification of Check Structures	100,000	-
Judith Basin County	Geyser Water System Improvements	100,000	-
Sheridan, Town of	Water System Improvements	100,000	-
Pablo-Lake County Water and Sewer District	Wastewater Treatment System Improvements	100,000	-
Fort Belknap Irrigation District	Sugar Factory Lateral Project	100,000	-
Montana Department of Natural Resources and Conservation	North Fork of the Smith River Dam Rehabilitation	100,000	557,000
Conrad, City of	Raw Water Intake and Pump Station Improvements	100,000	-
Lewis and Clark County Water Quality Protection District	Groundwater Sustainability in North Hills Area, Helena	50,000	-
Power-Teton County Water and Sewer District	Water System Improvements	100,000	-
Phillips County Green Meadows Water and Sewer District	Water System Improvements	100,000	-
Chinook Division Irrigation Joint Board of Control	Fresno Dam - Gate Leaf Seals	100,000	-
Upper/Lower River Road Water and Sewer District	Water System Improvements	100,000	-
Gallatin Local Water Quality District	Dedicated Monitoring Well Network for the Gallatin Valley	50,000	-
Troy, City of	Water System Improvements	100,000	-
Montana Department of Corrections	Rehabilitation of Prison Ranch Dam	80,000	-
Fort Shaw Irrigation District	Water Quality and Quantity Improvement - Phase III	89,122	-
Richland County Conservation District	Irrigation Potential of Groundwater	50,000	-
Hill County	Beaver Creek Dam Outlet Works Repair	-	500,000
	Funding of projects below this point will depend on the availability of revenue.		
Pablo-Lake County Water and Sewer District	Water Distribution Improvements	100,000	-
Cut Bank, City of	Water System Improvement	100,000	-
Pleasant View Homesites County Water and Sewer District	Water System Improvements	100,000	-
Gardiner-Park County Water District	Water System Improvements	100,000	-
	TOTALS	$4,079,068	$2,944,000

feasibility analysis. This new part of the program has been very successful. In FY 2003, 33 contracts in the total amount of $300,000 were administered for grants to communities all over the state.

Emergency Grants

The department has a $125,000 appropriation in House Bill 6 each biennium to grant to governmental entities if emergencies occur. A project may qualify as an emergency if it is one that, if delayed until legislative approval can be obtained, will cause substantial damage or legal liability to the entity seeking assistance. The emergency is typically associated with an unanticipated system failure and is not the result of normally expected use and deterioration. Emergencies do not include studies or planning efforts. Examples of emergencies include dam failures, the failure of irrigation structures during irrigation season, and failed wastewater pumping stations. All other reasonable sources of funding must be identified and exhausted before emergency funding is recommended. During FY 2002, five projects were funded, leaving a balance of $22,500 to fund emergencies during FY 2003.

One project was recommended for funding during FY 2003. Pine Creek School District, a rural school located south of Livingston in Park County, requested funding to replace its well, which went dry in April 2003. DNRC is coordinating with the U.S. Bureau of Reclamation (BOR) to provide joint funding of $35,000. The amount of funding recommended through RRGLP was $11,000.

The 2003 Legislature approved $220,932 for emergency grant funding for the next biennium. This included funding earmarked for two specific irrigation district projects that were brought before the Long-Range Planning Subcommittee. The first appropriation was for Cartersville Irrigation District in the amount of $20,000; the other was for Hysham Irrigation District in the amount of $50,000.

Private Grants

Financial assistance is available to any individual, association, partnership, or corporation (both for-profit and nonprofit). The legislature allocated $100,000 per biennium for private grants. By law, grant funding for a single project may not exceed 25 percent of the total estimated cost.

Most of the funds are targeted to assist small, privately owned water systems. Owners of small systems have difficulty in meeting Safe Drinking Water Act regulations, but must meet the same requirements that municipal water systems face. The department has identified 99 private water systems for potential funding. The average size of a grant is $2,645; the grant must be matched on a 3-to-1 basis. DNRC awarded six grants totaling $17,555 in FY 2003.

Private Loans

Loans for private water development projects are available from the department. Loans to individual private entities may not exceed the lesser of $200,000 or 80 percent of the fair market value of the security given for the project. Private loans to individuals must be secured with real property. Loans up to $300,000 are available for such organizations as water user associations and ditch companies. These loans are scored by the revenue produced by the system. Irrigation system improvements — for example, the conversion from flood irrigation to sprinkler irrigation — are the most common type of projects funded through private loans.

To finance loans, the law provided authority to issue general obligation renewable resource bonds up to a total outstanding balance of $20 million. The current outstanding balance on the loans is $15.4 million. In FY 2003, 307 loans were being administered, including $6.4 million for 80 newly closed loans.

In FY 2003, the private loan program sold $1.9 million in taxable general obligation bonds. The interest rate on these bonds is 3.5 percent, which is 2 to 3 percent below traditional market rates for these bonds. Adding a 0.3 percent charge for a loan loss reserve, DNRC is able to offer potential borrowers a very low interest rate for irrigation improvement projects. All loans must qualify as "nonpoint pollution control projects." Because the program primarily funds irrigation improvement projects, all of the new loan requests have qualified for these low interest funds.

Public Loans

This program makes loans to governmental entities for renewable resource projects. The program was started in 1981 by the Montana Legislature, which granted $250 million in coal tax bonding authority. In FY 2003, 71 public loans with a balance of approximately $41.8 million were outstanding. The public loans are listed in Table 10. The legislature has approved $18 million in loans for which funds have not yet been drawn.

The Renewable Resource Public Loan Program has been evolving into a new role over the last decade. Prior to 1990, the public loan program was one of the few low-cost sources of public loan funds available to municipalities. Many of the early loans in the public loan program were for municipal water and wastewater projects. However, since the creation of the Water Pollution Control and Drinking Water State Revolving Fund (SRF) Loan Programs, municipalities are borrowing funds at 4 percent from the SRF programs. This has freed capacity in the public loan program for other types of projects. In fact, there has been a steady increase in the number of irrigation loans that the program has funded, which reflects the need for repair of aging ditches, diversions, and other irrigation infrastructure, as well as the lack of any federal assistance for these projects. The public loan program also provides a safety net for municipal projects, such as solid waste projects, that may not qualify for SRF funding.

Treasure State Endowment Program Loans

The Treasure State Endowment Program (TSEP) is administered by the Montana Department of Commerce. However, if a loan is recommended by the Department of Commerce and authorized by the legislature, DNRC is responsible for closing and administering the loan. This relationship was developed because of the loan expertise and financial management system that DNRC has developed over the last 15 years in administering the Renewable Resource Grant and Loan Program.

DNRC is working with the Department of Commerce on over 30 projects that are combined TSEP and RRGLP projects. The Department of Commerce also reviewed a loan application for a bridge construction project in Yellowstone County and recommended a $620,000 loan. This recommendation was adopted by the 2001 Legislature, and DNRC is prepared to enter into a loan agreement with the county. The 2001 Legislature also appropriated a TSEP grant for this project, and it appears that revenues will be sufficient to fund the grant. If so, there may be no need to borrow funds from the state.

Table 10
Public Loans

Applicant	Balance Due	Applicant	Balance Due
Anaconda - Deer Lodge County	$ 112,397	Kevin	$ 50,937
Antelope County Water and Sewer District	56,214	Lockwood Irrigation District	83,384
Beaverhead County/Red Rock Water and Sewer District	1,830,839	Miles City	781,492
Belgrade	147,268	Mill Creek Water and Sewer District	601,535
Bitterroot Irrigation District	641,388	Neihart	112,991
Bozeman	196,996	Park County	49,953
Bozeman	323,582	Pondera County Canal and Reservoir Company	260,479
Broadwater Power Project	20,505,000	Pondera County Canal and Reservoir Company	208,194
Charlo Water District	7,018	Poplar	103,145
Conrad	40,649	Sage Creek Water District	452,404
Culbertson	105,885	Sanders County Water District at Noxon	75,597
Culbertson	17,547	Shelby	79,930
Cut Bank - North Glacier Water and Sewer District	44,961	State Water Projects Bureau, DNRC	
Daly Ditches Irrigation District	346,456	Bair Dam	947,267
Denton	69,340	Broadwater-Missouri Pipespan	353,610
Dutton	88,986	Deadman's Basin (Barber Canal)	334,249
Dutton	15,921	East Fork Rock Creek Dam	700,000
East Bench Irrigation District	441,633	Nevada Creek Dam	494,041
East Helena	176,347	Petrolia Dam	295,570
Ekalaka	58,340	Shields Canal Water Users Association	10,212
Ennis	24,303	Upper Musselshell Water Users Association	47,627
Ennis	554,823	Yellowater Water Users Association	5,679
Fairview	135,877	Sun Prairie Water and Sewer District	292,718
Flathead County for Evergreen	2,439,886	Sun Prairie Water and Sewer District	132,972
Forsyth	228,979	Three Forks	68,884
Fort Benton	162,540	Three Forks	48,496
Fort Benton	419,947	Tin Cup Water and Sewer District	240,298
Gardiner - Park County Water District	161,181	West Yellowstone	159,068
Glasgow	1,034,933	West Yellowstone	248,852
Glendive	915,669	White Sulphur Springs	135,007
Harlem	157,081	Whitefish	320,805
Havre	560,039	Wibaux	144,622
Huntley Irrigation District	1,057,340	Winnett	8,800
Huntley Irrigation District	253,625	Yellowstone County	43,295
Huntley Irrigation District	92,821	Yellowstone County	66,183
Huntley Irrigation District	245,632		
Hysham	159,905	TOTAL	$ 41,789,644

Conservation District Water Reservations

Fourteen CDs in the Yellowstone River basin have reserved water rights for irrigation purposes. During calendar year 2002, the Yellowstone River basin conservation districts received approval from the DNRC director for seven detailed development plans in Custer County, Dawson County, Richland County, Rosebud, Stillwater, and Yellowstone Conservation Districts. There are currently 168 active detailed development plans authorizing a total diversion of 72,774 acre-feet of water from the Yellowstone River and its tributaries. The remaining balance of unappropriated reserved water in the Yellowstone River basin is 475,413 acre-feet.

Nineteen CDs in the upper Missouri River basin and the lower and Little Missouri River basins have active water reservations. From 2000 to 2002, the conservation districts approved detailed development plans in Teton, Richland County, and Roosevelt County Conservation Districts. There are currently 50 active detailed development plans authorizing a total diversion of 22,848 acre-feet of water from the upper Missouri River basin, lower Missouri River basin, and Little Missouri River basin. The remaining balance of unappropriated reserved water is 282,604 acre-feet.

The CDs have continued to actively inform the public of the availability of reserved water through newsletters, newspaper articles, county/agricultural fair booths, and direct mailings to potential water users.

Irrigation Development Program

The Vision 2005 Task Force organized by the Montana Department of Agriculture set a goal to double the value of agriculture in Montana by the year 2005. One of the key components of this vision was to develop 500,000 acres of new irrigation projects that would grow high value crops such as potatoes and sugar beets.

The 1999 Legislature established the Irrigation Development Program to accomplish this goal. For every $15,000 granted, there will be an additional expenditure of around $70,000 by the owner, and production on that piece of ground will at least triple. Tripling production has a huge effect on the economic stability of most farm operations. Irrigation also provides a buffer during drought years.

Irrigation Development Grants are available through DNRC. Grants are limited to $20,000 each (exceptions are available on a case-by-case basis). Grants can be given for projects that lead toward the development of new irrigation and for activities that increase the value of agriculture for existing irrigated lands. Examples include test wells for irrigation, feasibility studies of an irrigation improvement or new system, and provision of information to the public, such as agriculture tours to educate producers on new technology. Both private and public applicants are eligible. Grants awarded during FY 2003 are shown in Table 11.

The irrigation test well portion of the Irrigation Development Program funded seven test wells during this fiscal year. Thirty-nine requests for test wells, seeking far more funds than were available, were received in FY 2003.

In FY 2003, although limited by budget cuts and the 2003 Legislature's elimination of an engineering position, program staff worked with groups throughout eastern Montana to pursue the development of new projects and find ways to increase the value of existing irrigation. Irrigation development projects have involved high

lifts, drilling new wells, and building dams large enough to hold water for irrigation sprinklers. Approximately 49 irrigation projects are ongoing, with small groups of producers risking their time, energy, and money to see whether there is an opportunity to increase the value of their farms. Dryland farmers are starting to convert to sprinkler irrigation for high value crops, and experienced irrigators are increasing their efficiencies by converting flood to sprinkler irrigation. Potato growers have been looking for more acres in eastern and northern Montana and hope that a potato-processing facility will be established in eastern Montana or western North Dakota in the next few years.

Table 11
Irrigation Development Grants Awarded in FY 2003

Project Sponsor	Project	Amount
Cascade County Applicant	Irrigation Test Well Drilling	$ 5,000
Lower Yellowstone Conservation District Development Committee	Montana Natural Resources Act	31,200
Milk River Joint Board of Control	Global Information System Irrigation Equipment Purchase	6,175
Nilan Water Users	Off-Farm Irrigation Efficiency Improvements	15,000
Pondera County Applicant	Irrigation Test Well Drilling	5,000
Reserved Water Rights Compact Commission	Global Information System Landsat Equipment Purchase	3,600
Richland County Applicant	Irrigation Test Well Drilling	5,000
Richland County Applicant	Irrigation Test Well Drilling	5,000
Richland County Applicant	Irrigation Test Well Drilling	4,900
Roosevelt County Applicant	Irrigation Test Well Drilling	5,000
Roosevelt County Applicant	Irrigation Test Well Drilling	5,000
Rosebud County Applicant	Irrigation Pivot Purchase and Installation	9,806
Rosebud County Applicant	Irrigation Pivot Purchase and Installation	10,000
Sweet Grass County Conservation District	Boulder River Watershed Irrigation Improvements	10,000
West Crane Irrigation District	Irrigation Planning Consultant Services	15,000
	TOTAL	$135,681

Not only is irrigation being developed for high value crops, but it is also an alternative for ranchers who would like to have pasture all summer for their herds. With an intensive grazing rotation under these irrigation pivots, ranchers can rest their rangeland and improve utilization of the grasses. During FY 2003, over 2,000 acres of new irrigation were developed specifically for grazing.

The draft Montana Natural Resources Act was reviewed by the legislative counsel for the United States Senate, and the time frame for introducing the act into Congress is being discussed. The Montana Natural Resources Act would serve as a tool in developing and sustaining irrigation in northern and eastern Montana, as well as providing more irrigation research, Indian education opportunities, debt relief for the Fort Peck Irrigation Project, and wind generation for the Fort Peck Reservation. The legislation is intended to bring over 23,000 acres of planned irrigation off the drawing board and into the field. It would also provide incentives for many more acres of irrigation to be developed under the CD reserved water rights.

CDs continue to make major progress toward developing their water reservations. Work is ongoing to obtain low-cost electric power for irrigation through the Pick-Sloan Program.

Regional Water Systems

The Fort Peck Dry Prairie Rural Water System received authorization from the U.S. Congress in October 2000 (Public Law 106-382). Numerous phases of engineering review have been completed, and funds appropriated by Congress in the two previous funding cycles have been used for various planning and design phases. An environmental assessment (EA) was completed for the project; the Final Programmatic EA (with a Finding of No Significant Impact, or FONSI) was issued in October of 2002. BOR, the U.S. Bureau of Indian Affairs (BIA), DEQ, and DNRC were cooperating agencies in the preparation and release of that document. A final engineering report (FER) has recently been submitted to Congress for a requisite 90-day period. When the FER has met requirements of Congress, BOR will be able to release funds that have been appropriated for construction phases.

Legislation for authorization of the Rocky Boy's – North Central Montana Regional Water System was introduced in the U.S. Congress in May 2001. Hearings before House and Senate subcommittees took place in April and August of 2002, respectively. Numerous revisions to the bill were suggested and reviewed by BOR, Congress, the Chippewa Cree Tribe of the Rocky Boy's Reservation, the North Central Montana Regional Water Authority, and DNRC. Congress authorized this system through Title IX of Public Law 107-331, amending the Indian Financing Act of 1974. It passed the 107th Congress during the last week of the session and was signed into law by President Bush on December 3, 2002. Since that time, BOR has assisted the Tribe and the authority in developing a schedule of work. Activities currently under way include a BOR value engineering study, drafting of a water conservation plan, scheduling of public hearings as part of the EA process, and drafting a FER for the project.

Both of the regional water system projects described above are extensive in scope (see Figure 8). Total funds for completion are estimated at over $200 million in each case.

Another regional water system proposed for Central Montana is moving further into the planning stages. The working title of this project is the Musselshell Valley Regional Municipal Water Project. It could possibly stretch from southwest of Utica east to Melstone via Roundup, with branch mains south to Harlowton, Shawmut, Ryegate, and Lavina. A preliminary estimated cost of the project is $34 million. The State Coal Board granted $300,000 for exploratory drilling and other studies in March 2002. With the assistance of the Montana Bureau of Mines and Geology (MBMG), a new site for the proposed test well has been identified on state-owned land southwest of Utica, and it is anticipated that the test well drilling process will be completed during the summer of 2003.

Additionally, due to interest from local officials and residents of Garfield and McCone Counties, as well as portions of Dawson and Prairie Counties, the 2003 Montana Legislature appropriated $30,000 for a study to investigate the feasibility of a small regional water system in the area. This small system is tentatively known as the Dry-Redwater System, for the Dry and Redwater creeks located in that region.

Finally, the 2003 Legislature authorized the transfer of administration of the TSEP Regional Water Fund from the Montana Department of Commerce to DNRC.

Figure 8. Areas to Be Served by Regional Water Systems